

HAZELTON TOWNSHIP  
SHAWASSEE COUNTY, MICHIGAN

REPORT ON FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

LOCAL AUDIT & FINANCE DIV.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Hazelton Township</b>		County <b>Shawwassee</b>
Audit Date <b>3/31/05</b>	Opinion Date <b>3/17/06</b>	Date Accountant Report Submitted to State: <b>4/24/06</b>		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Barry E. Gaudette, CPA, PC</b>			
Street Address <b>1107 E. Eighth Street</b>	City <b>Traverse City</b>	State <b>MI</b>	ZIP <b>49686</b>
Accountant Signature <i>Barry E. Gaudette (RC)</i>		Date <b>4/24/06</b>	

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INTRODUCTORY SECTION

Hazelton Township  
List of Elected Officials  
March 31, 2005

ELECTED OFFICIALS

James R. Sheridan

Supervisor

Rebecca M. A. Hart

Clerk

Cheryl Pope

Treasurer

Allan Gross

Trustee

Tony Newman

Trustee

FINANCIAL SECTION

**INDEPENDENT AUDITORS' REPORT**

Members of the Township Board  
Hazelton Township  
Shiawassee County, Michigan

I have audited the accompanying financial statements of the governmental activities and each major fund of Hazelton Township, Shiawassee County, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Hazelton Township, Shiawassee County, Michigan, as of March 31, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Hazelton Township  
Independent Auditors' Report  
Page Two

As described in Note IV(C), the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended and interpreted, as of March 31, 2005.

In accordance with *Government Auditing Standards*, I have also issued my report dated March 17, 2006, on my consideration of Hazelton Township, Shaiwassee County, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

Hazelton Township has not presented a management discussion and analysis that the Governmental Accounting Standards Board has determined necessary to supplement, although not required to be part of, the basic financial statements.

*Barry E. Vandell, CPA, PC*

March 17, 2006



**BASIC FINANCIAL STATEMENTS**

Hazelton Township  
Statement of Net Assets  
March 31, 2005

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 81,189
Taxes receivable	6,891
Prepaid insurance	13,032
Due from other funds	89,985
Due from State	19,343
Capital assets (net of accumulated depreciation):	
Land and improvements	55,600
Fire vehicles and equipment	151,725
Cemetery equipment	1,861
Office equipment	<u>5,918</u>
Total assets	<u>425,544</u>
<b>LIABILITIES</b>	
Accounts payable	<u>33,692</u>
Total liabilities	<u>33,692</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	215,104
Unrestricted	<u>176,748</u>
Total net assets	<u>\$ 391,852</u>

See notes to financial statements

Hazelton Township  
Statement of Activities  
For the Year Ended March 31, 2005

Functions /Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
Legislative General	\$ 29,734	\$	\$	\$
Government	51,943		4,569	
Public safety	44,830			64,728
Public works	257,632	93,240		
Other	<u>5,802</u>			
Total governmental activities	<u>\$389,941</u>	<u>\$ 93,240</u>	<u>\$ 4,569</u>	<u>\$ 64,728</u>

General revenues:

Property taxes & administrative fees  
Licenses & permits  
State revenue sharing  
Interest earnings  
Sale of cemetery lots  
Miscellaneous

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements

Net (Expense)  
Revenue and  
Changes in  
Net Assets

Governmental  
Activities

\$ ( 29,734)

( 47,374)

19,898

( 164,392)

( 5,802)

( 227,404)

131,011

109

108,186

3,783

2,900

4,169

250,158

22,754

369,098

\$ 391,852

Hazelton Township  
Balance Sheet  
Governmental Funds  
March 31, 2005

	<u>General</u>	<u>Garbage Collection</u>	<u>Road</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 57,407	\$ 23,558	\$ 224
Taxes receivable	2,698		4,193
Prepaid insurance	13,032		
Due from other funds	40,590	49,395	
Due from State	<u>19,343</u>		
Total assets	<u>\$ 133,070</u>	<u>\$ 72,953</u>	<u>\$ 4,417</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ _____	\$ _____	\$ 33,692
Total liabilities	_____	_____	<u>33,692</u>
Fund balances (deficit):			
Unreserved,			
reported in:			
General fund	133,070		
Special revenue funds	<u>_____</u>	<u>72,953</u>	<u>(29,275)</u>
Total fund balances (deficit)	<u>133,070</u>	<u>72,953</u>	<u>(29,275)</u>
Total Liabilities and Fund Balances	<u>\$ 133,070</u>	<u>\$ 72,953</u>	<u>\$ 4,417</u>

See notes to financial statements

**Total  
Governmental  
Funds**

---

\$ 81,189  
6,891  
13,032  
89,985  
19,343

\$ 210,440

\$ 33,692

33,692

133,070  
43,678

176,748

\$ 210,440

Hazelton Township  
Reconciliation of the Governmental Funds  
Balance Sheet  
With the Statement of Net Assets  
March 31, 2005

Amounts reported for governmental activities in the  
statement of net assets are different because:

Total Fund Balance - Governmental Funds	\$ 176,748
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Capital assets used in governmental activities  
are not financial resources and therefore are  
not reported as assets in governmental funds:

Cost of capital assets	441,220
Accumulated depreciation	<u>( 226,116)</u>

Total Net Assets - Governmental Activities	<u>\$ 391,852</u>
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See notes to financial statements

Hazelton Township  
Statement of Revenues, Expenditures, and Changes  
In Fund Balance  
Governmental Funds  
For the Year Ended March 31, 2005

	<u>General</u>	<u>Garbage Collection</u>	<u>Road</u>
<b>REVENUES</b>			
Taxes & adm. fees	\$ 60,086	\$	\$ 70,925
Licenses & permits	109		
Federal grants:			
Public safety	64,728		
Intergovernmental revenue from State:			
State revenue sharing	108,186		
State aid grant	4,569		
Interest earnings	3,600	183	
Other revenue:			
Special assessments		93,240	
Sale of cemetery lots	2,900		
Miscellaneous	<u>3,852</u>		<u>317</u>
Total revenues	<u>248,030</u>	<u>93,423</u>	<u>71,242</u>
<b>EXPENDITURES</b>			
Current:			
Legislative	29,734		
General government	46,757		
Public safety	27,972		
Public works	781	89,350	167,501
Other	5,802		
Capital outlay	<u>62,970</u>		
Total			
expenditures	<u>174,016</u>	<u>89,350</u>	<u>167,501</u>
Net changes in fund balances	74,014	4,073	( 96,259)
Fund balances-beginning	<u>59,056</u>	<u>68,880</u>	<u>66,984</u>
Fund balances(deficit) -ending	<u>\$ 133,070</u>	<u>\$ 72,953</u>	<u>\$ ( 29,275)</u>

See notes to financial statements



**Total  
Governmental  
Funds**

---

\$ 131,011  
109

64,728

108,186  
4,569  
3,783

93,240  
2,900  
4,169

412,695

29,734  
46,757  
27,972  
257,632  
5,802  
62,970

430,867

( 18,172)

194,920

\$ 176,748

Hazelton Township  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balance of Governmental Funds  
To the Statement of Activities  
For the Year Ended March 31, 2005

Amounts reported for governmental activities in the  
statement of activities are different because:

Total net change in fund balances - total governmental funds	\$( 18,172)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	<u>40,926</u>
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Change in net assets of governmental activities	<u><u>\$ 22,754</u></u>
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See notes to financial statements

Hazelton Township  
General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
-Budget and Actual  
For the Year Ended March 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
<b>REVENUES</b>				
Property taxes and related fees	\$ 64,500	\$ 64,500	\$ 60,086	\$ ( 4,414)
Licenses & permits	108	108	109	1
Federal grants:				
Public safety			64,728	64,728
Intergovernmental revenue from State:				
State revenue sharing	105,000	105,000	108,186	3,186
State aid grant			4,569	4,569
Interest earnings	2,900	2,900	3,600	700
Other revenue:				
Sale of cemetery lots	2,800	2,800	2,900	100
Miscellaneous			3,852	3,852
Total revenues	<u>175,308</u>	<u>175,308</u>	<u>248,030</u>	<u>72,722</u>
<b>EXPENDITURES</b>				
Current:				
Legislative:				
Township board	<u>27,400</u>	<u>27,400</u>	<u>29,734</u>	<u>( 2,334)</u>
General government:				
Audit	1,900	1,900	3,300	( 1,400)
Dues & memberships			1,163	( 1,163)
Assessor:				
Salary	11,860	11,860	11,183	677
Supplies			991	( 991)
Supervisor-supplies	100	100		100
Treasurer-supplies	5,657	5,657	3,592	2,065
Clerk-supplies	700	700	694	6
Election:				
Fees	4,000	4,000	2,917	1,083
Supplies			4,193	( 4,193)
Board of review	1,200	1,200	1,225	( 25)

Hazelton Township  
General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
-Budget and Actual  
For the Year Ended March 31, 2005  
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>EXPENDITURES (CONT'd):</b>				
Current:				
General government cont'd:				
Cemetery:				
Salaries	9,000	9,000	5,375	3,625
Supplies			2,230	( 2,230)
Insurance	874	874	912	( 38)
Building & grounds:				
Repairs			887	( 887)
Utilities	6,500	6,500	1,766	4,734
Other:				
Insurance	4,300	4,300	3,649	651
Pension	5,760	5,760	6,328	( 568)
Workmen's comp.			841	( 841)
Payroll taxes	<u>2,000</u>	<u>2,000</u>	<u>1,312</u>	<u>688</u>
Total general government	<u>53,851</u>	<u>53,851</u>	<u>52,558</u>	<u>1,293</u>
Public safety:				
Fire protection	<u>34,612</u>	<u>34,612</u>	<u>27,972</u>	<u>6,640</u>
Total public safety	<u>34,612</u>	<u>34,612</u>	<u>27,972</u>	<u>6,640</u>
Public works:				
Road maintenance	26,323	26,323		26,323
Street lighting	<u>750</u>	<u>750</u>	<u>782</u>	<u>( 32)</u>
Total public works	<u>27,073</u>	<u>27,073</u>	<u>782</u>	<u>26,291</u>
Capital outlay	<u>32,372</u>	<u>32,372</u>	<u>62,970</u>	<u>( 30,598)</u>
Total expenditures	<u>175,308</u>	<u>175,308</u>	<u>174,016</u>	<u>1,292</u>
Net changes in fund balances			74,014	74,014
Fund balances-beg.			<u>59,056</u>	<u>59,056</u>
Fund balances-end.	<u>\$</u>	<u>\$</u>	<u>\$133,070</u>	<u>\$ 133,070</u>

See notes to financial statements

Hazelton Township  
Statement of Fiduciary Funds  
Fiduciary Funds  
March 31, 2005

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 290,224</u>
Total assets	<u>290,224</u>
<b>LIABILITIES</b>	
Due to other funds	<u>89,985</u>
<b>NET ASSETS</b>	
Held in trust for other purposes	<u><u>\$ 200,239</u></u>

See notes to financial statements

Hazelton Township  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Year Ended March 31, 2005

	<u>Agency Fund</u>
<b>ADDITIONS</b>	
Property tax collections,	
special assessments and fees	\$1,575,236
Interest earnings	<u>2,484</u>
Total additions	<u>1,577,720</u>
<b>DEDUCTIONS</b>	
Payments to other funds	224,251
Payments to other governmental units	<u>1,353,469</u>
Total deductions	<u>1,577,720</u>
Changes in net assets	
Net assets - beginning	<u>                    </u>
Net assets - ending	<u>\$                    </u>

See notes to financial statements

**Hazelton Township**  
**Notes to the Financial Statements**  
**March 31, 2005**

**I. Summary of significant accounting policies**

The financial statements of Hazelton Township (the Township) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

**A. Reporting entity**

The Township is governed by an elected five-member board. The accompanying financial statements present the Township's operations for which the government is considered to be financially accountable. The Township does not have any component units. The Township is not responsible for any jointly governed organizations.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Township does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement focus, basis of accounting and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when a payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st. Real property taxes not collected as of March 1st are turned over to Shiawassee County, which advances the Township 100% for the delinquent taxes.

The 2004 taxable valuation of the Township totaled \$52,521,479, on which ad valorem taxes levied consisted of .9464 mills for Township operating purposes. This amount is recognized in the General Fund as current tax revenue as well as administrative fees of \$16,663 to collect the taxes and applicable interest.

The Township also levies 1.4705 mills for Township roads that are recognized in the Road Fund as current tax revenue.

The Township also levies .5000 mills for the Library that are paid directly to the Shiawassee District Library.



The Township collects special assessments from residents to pay for garbage pickup costs. This amount is recognized in the Garbage Collection Fund as other revenue.

The Township collects a special assessment fee of \$25 from residents to pay for ambulance costs. The amount collected is paid directly to Twin Township Ambulance.

The Township reports the following major governmental funds:

The *general fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *garbage collection fund* is a special revenue fund that accounts for the collection of special assessments from residents for costs of garbage pickup.

The *road fund* is a special revenue fund that accounts for the collection of a tax levy for the costs of road maintenance in the Township.

The Township reports the following fiduciary funds:

These funds are used to account for assets held in trust or as an agent for others. The Township has one fiduciary fund as follows:

#### Agency Fund

Agency funds are purely custodial in nature (assets equal liabilities) and thus, do not involve measurement of results of operations. The *tax collection fund* is an agency fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use unrestricted sources first, then unrestricted resources as they are needed.

**D. Assets, liabilities, and net assets**

**1. Deposits and investments**

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**2. Short-term interfund receivables/payable**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet in the governmental fund financial statements.

**3. Receivables and payables**

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

**4. Prepaid items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

## **5. Capital assets**

Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property and equipment of the Township is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	40
Fire vehicles	20
Office furniture and equipment	5
Cemetery equipment	5
Fire equipment	5

## **6. Compensated absences**

The Township does not have a compensated absence policy.

## **7. Long-term obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

In the fund financial statements, governmental fund types, recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The Township does not have any long-term debt.

## **8. Fund balance**

In the fund financial statements, governmental funds report the reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## **9. Use of estimates**

The process of preparing general purpose financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

## **II. Stewardship, compliance, and accountability**

### **A. Budgetary information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Supervisor submits to the Township Board a proposed budget for the fiscal year commencing on April 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - general funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally adopted by the Township Board as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.
4. The Supervisor is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Township Board.

5. Formal budgetary integration is employed as a management control device during the year for the general fund. Budgets were adopted for the special revenue funds. The Garbage Collection Fund budget was \$94,107 and the Road Fund budget was \$103,527 (includes \$26,323 budgeted in the General Fund).

6. The budget as presented, has not been amended.

#### **B. Excess of expenditures over appropriations**

For the year ended March 31, 2005, expenditures exceeded appropriations in the activities of audit, due & memberships, assessor supplies, election supplies, board of review, pension, workmen's compensation, and street lighting (the legal level of budgetary control) of the general fund by \$1,400, \$1,163, \$991, \$4,193, \$25, \$568, \$841 and \$32, respectively. These overexpenditures were funded by the available fund balance in the general fund.

The Road Fund expenditures were \$63,974 more than what was budgeted for. There was an account payable as of March 31, 2005 for \$33,692 to the County Road Commission that accounts for part of the overexpenditure.

### **III. Detailed notes on all funds**

#### **A. Deposits and investments**

At year-end, the carrying amount of the Township's deposits were \$371,413 and the bank balance was \$588,456, of which \$588,456 was covered by federal depository insurance.

#### **B. Capital assets**

Capital asset activity for the year ended March 31, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land & improvements	\$ 55,600	\$	\$	\$ 55,600
Capital assets, being depreciated:				
Buildings & improvements	85,493			85,493
Fire vehicles & equipment	211,226	62,970		274,196
Cemetery equipment	6,204			6,204
Office equipment	<u>19,727</u>			<u>19,727</u>

Total capital assets being depreciated	<u>322,650</u>	<u>62,970</u>	<u>385,620</u>
Less accumulated depreciation for:			
Buildings & improvements	( 85,493)		( 85,493)
Fire vehicles & equipment	(105,613)	( 16,858)	(122,471)
Cemetery equipment	( 3,102)	( 1,241)	( 4,343)
Office equipment	<u>( 9,864)</u>	<u>( 3,945)</u>	<u>( 13,809)</u>
Total accumulated depreciation	<u>(204,072)</u>	<u>( 22,044)</u>	<u>(226,116)</u>
Total capital assets, being depreciated, net	<u>118,578</u>	<u>40,926</u>	<u>159,504</u>
Governmental activities capital assets, net	<u>\$ 174,178</u>	<u>\$ 40,926</u>	<u>\$ 215,104</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
General government	\$ 5,186
Public safety	<u>16,858</u>
Total depreciation expense- governmental activities	<u>\$ 22,044</u>

### C. Interfund receivables, payables, and transfers

There were no interfund transfers during the fiscal year.

The composition of interfund balances as of March 31, 2005, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Agency fund	\$ 40,590
Garbage collection	Agency fund	<u>49,395</u>
		<u>\$ 89,985</u>

#### IV. Other information

##### A. Risk management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and employee injuries (workers compensation). The Township was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Township joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The Township pays an annual premium to the pool for its general insurance coverage.

The Township has purchased commercial insurance for all other risks of loss. Settlements claims have not exceeded coverages for each of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Township is unable to provide an estimate of the amounts of additional assessments.

##### B. Pension plan

The Township does not have a pension plan.

##### C. Implementation of new accounting standard

As of and for the year ended March 31, 2005, the Township implemented GASB Statement Number 34 - *Basic Financial Statements - and Management's Discussion and Analysis - State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a governments' major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

Members of the Township Board  
Hazelton Township  
Shaiwassee County, Michigan

**Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards**

I have audited the financial statements of the governmental activities and each major fund of Hazelton Township, Shaiwassee County, Michigan, as of and for the year ended March 31, 2005, which collectively comprise Hazelton Township, Shaiwassee County, Michigan's basic financial statements and have issued my report thereon dated March 17, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

In planning and performing my audit, I considered Hazelton Township's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.



Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
with *Government Auditing Standards*  
Hazelton Township  
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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Hazelton Township's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Township Board, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Samy E. Taulich, CPA, PC*  
March 17, 2006

COMMENTS AND RECOMMENDATIONS

**Barry E. Gaudette, CPA, P.C.**

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street  
Traverse City, Michigan 49686  
(231) 946-8930  
Fax (231) 946-1377

Members of the Township Board  
Hazelton Township  
Shiawassee County, Michigan

My examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

The following comments and recommendations are based on observations made during the course of our examination for the year ended March 31, 2005:

**Road Fund Budget**

The Township expenditures for road maintenance were more than what was budgeted. Also, an account payable was recorded by me that was for a road commission billing as of March 31, 2005 for \$33,692. The account payable caused the road fund to have a deficit of \$29,275.

I recommend that the Township amend the budget during the fiscal year before the expenditure is made.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of management, the Township Board, and the Michigan Department of Treasury and should not be used for any other purpose.

*Barry E. Gaudette, CPA, PC*

March 17, 2006